

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 ISO-00 SSO-00
NSCE-00 USIE-00 INRE-00 L-03 FRB-03 OMB-01 ITC-01
SP-02 AGRE-00 AID-05 CIAE-00 COME-00 INR-07 IO-13
LAB-04 NSAE-00 OIC-02 SIL-01 STR-06 TRSE-00
CEA-01 SS-15 INT-05 GSA-02 /122 W
-----031947 171722Z /43

O 171610Z JAN 78
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC IMMEDIATE 5984
INFO AMEMBASSY BANGKOK
AMEMBASSY BONN
AMEMBASSY JAKARTA
AMEMBASSY KINSHASA
AMEMBASSY KUALA LUMPUR
AMEMBASSY LA PAZ
AMEMBASSY LONDON IMMEDIATE
AMEMBASSY TOKYO

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E.O. 11652: GDS
TAGS: EMIN, ITC, NI
SUBJECT: U.S. POSITION IN THE INTERNATIONAL TIN COUNCIL

REF: STATE 010989

1. EMBOFF CALLED ON J.F. AWONIYI, DIRECTOR OF MINERAL RESOURCES, FEDERAL MINISTRY OF MINES AND POWER JANUARY 17 TO PRESENT POINTS IN REFTEL OPPOSING INCREASE IN PRICE RANGE.

2. AWONIYI WAS AMIABLE, LISTENED NON-COMMITTALLY, THEN SAID THAT HE HAS SEEN NO POSITION PAPERS ON PRODUCER VIEWS AND THEREFORE COULD NOT REALLY COMMENT ON U.S. ARGUMENTS. HE NOTED THAT COMMERCIAL ATTACHE AT NIGERIAN HIGH COMMISSION IN LONDON HAD BEEN CHAIRMAN OF PRODUCERS GROUP AND WAS THUS CONFIDENTIAL

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NIGERIAN OFFICIAL MOST CLOSELY IN TOUCH WITH PRODUCER VIEWS.

3. AWONIYI ADDED THAT DEPUTY BUFFER STOCK MANAGER MADE PERSONAL VISIT TO NIGERIA IN NOVEMBER. WHILE HERE, DEPUTY MANAGER VISITED PLATEAU STATE WHICH IS CENTER OF TIN INDUSTRY. HE TOLD AWONIYI HE WOULD PREPARE REPORT BASED ON HIS OBSERVATIONS. AWONIYI HAD NOT YET SEEN DRAFT OF THIS REPORT, BUT ASSUMED IT WOULD PROVIDE

OBJECTIVE VIEW OF STATE OF NIGERIA'S TIN INDUSTRY AND WOULD BE DISTRIBUTED EITHER AT PREPARATORY MEETINGS OR AT ITC 8TH SESSION.

4. AWOYNIYI THEN OBSERVED THAT TIN PRODUCTION IN NIGERIA HAD HISTORICALLY DEPENDED ON LABOR INTENSIVE WORKING OF ALLUVIAL DEPOSITS. AS LONG AS LABOR WAS CHEAP, THIS KEPT PRODUCTION COSTS DOWN. HOWEVER, LABORERS WERE NOW ATTRACTED INTO THE CONSTRUCTION INDUSTRY AND WERE HARD TO RECRUIT INTO MINING. MOREOVER, THEIR WAGE RATES HAD GONE UP SHARPLY IN PAST FEW YEARS. TIN YIELDS HAD ALSO DECLINED OVER PAST 65 YEARS. WHEREAS ONCE ORE YIELDS WERE .5 TO .6 POUNDS PER CUBIC YARD, HIS MINISTRY WAS NOW APPROVING LICENSES FOR ANYTHING IN NEIGHBORHOOD OF .25 POUNDS PER CUBIC YARD. IN ADDITION, FUTURE OF TIN MINING INDUSTRY IN NIGERIA LAY IN MORE CAPITAL INTENSIVE UNDERGROUND MINES LIKE ONE BING DEVELOPED AT RIRIWAI IN KANO STATE AS JOINT VENTURE BETWEEN NIGERIAN MINING CORPORATION AND GOLD AND BASE METALS. RIRIWAI WILL NOT PRODUCE ANYTHING FOR NEXT TWO YEARS, SAID AWONIYI, BUT WHEN IT DOES ONE COULD BE SURE THAT AVERAGE PRODUCTION COST OF NIGERIAN TIN WOULD RISE AND ORE GRADES WOULE BE LOWER. IF TIN PRICE FLOOR WAS TOO LOW, INVESTMENT IN DEVELOPING NEW TIN RESOURCE SUCH AS RIRIWAI WOULD BE DISCOURAGED. SIMILARLY, IF CEILING SET TOO LOW SO THAT PRICES KEPT GOING THROUGH IT, CHAIN OF EVENTS WOULD BE UNLEASHED WHICH WOULD HAVE EQUALLY ADVERSE CONSEQUENCES. AS 40 PERCENT, AND IN FUTURE 60 PERCENT PARTNER IN NIGERIAN TIN

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MINING COMPANIES, THROUGH VEHICLE OF NIGERIAN MINING CORPORATION, FMG COULD NOT BE EXPECTED TO FAVOR PRICE RANGE WHICH WOULD RENDER QUESTIONABLE THE INVESTMENT IT NOW UNDERTAKING IN NEW PRODUCTION.

5. U.S. DELEGATION IN LONDON MAY WISH TO FIND OUT IF DEPUTY BUFFER STOCK MANAGER HAS FINISHED HIS REPORT ON NIGERIA AND WOULD BE WILLING TO PROVIDE A COPY.
EASUM

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TIN
Control Number: n/a
Copy: SINGLE
Draft Date: 17 jan 1978
Decapton Date: 01 jan 1960
Decapton Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LAGOS00696
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780024-1208
Format: TEL
From: LAGOS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780156/aaaabuve.tel
Line Count: 103
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 89d0cfe2-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 10989
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 25 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3763740
Secure: OPEN
Status: NATIVE
Subject: U.S. POSITION IN THE INTERNATIONAL TIN COUNCIL
TAGS: EMIN, NI, ITC
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/89d0cfe2-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014